BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268–0001

PERIODIC REPORTING
(PROPOSAL FIVE)

Docket No. RM2018-8

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO QUESTIONS 1-10 OF CHAIRMAN'S INFORMATION REQUEST NO. 1**
(July 17, 2018)

The United States Postal Service hereby provides its responses to the above-listed questions of Chairman's Information Request No. 1, issued July 10, 2018. The questions are stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorney:

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1. Please refer to Petition, Proposal Five. The Postal Service states that "RPW data by Dispatch Format are distributed to the Item Formats proportionally by pieces and weight using estimates from the System for International Revenue and Volume, Inbound (SIRVI)." Petition, Proposal Five at 9. Please state whether any changes have been made to the SIRVI sampling plan and estimation methodology provided in Library Reference USPS-FY11-NP5.[1] If so, please provide an updated version of the SIRVI sampling plan and estimation methodology.

RESPONSE:

The sampling plan and estimation methodology remain largely the same, with updates due primarily to changes in UPU requirements. In response to Question 10 below, Chapter 8 of USPS-FY17-NP5, Word file "Part22017.doc is updated to incorporate a complete description of the SIRVI sampling plan and estimation methodology.

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[1] Docket No. ACR2011, Library Reference USPS-FY11-NP5, December 29, 2011. *See* Docket No. ACR2011, United States Postal Service FY 2011 Annual Compliance Report, December 29, 2011.

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2.   Please refer to Library Reference USPS-FY11-NP5, Word file
"Part22011v1.doc." The Postal Service states that it uses different strata in the
SIRVI sampling plan. Library Reference USPS-FY11-NP5, Word file
"Part22011v1.doc," at 29. Please identify which of these strata, if any, will be
used in distributing data by Dispatch Format to the Item Formats.

RESPONSE:

All of the letter-post strata are used for purposes of developing estimates at both

the Dispatch Format and Item Format levels. For each sampled receptacle within

a given strata, data collectors record both the Dispatch Format and Item

Formats. The Dispatch Format is the format indicated by the foreign post and is

used as the basis for terminal dues settlements. The Item Format is the format

of the items within the sampled receptacle.

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3. Please refer to Petition, Proposal Five. The Postal Service states that "As part of the RPW Reconciliation tab of the Reports (Unified) workbook, a crosswalk will be provided to help explain the differences [between Dispatch Format and Item Format]." Petition, Proposal Five at 9-10.

   a. Please confirm that this crosswalk is not provided.

   b. If confirmed, please provide this crosswalk.

   c. If not confirmed, please identify the crosswalk in this workbook.

RESPONSE:

   a. Confirmed.

   b. Please see Excel file Prop5 Question 3b.xls provided under seal as part of USPS-RM2018-8/NP2. The table presents a crosswalk between the Dispatch Format amounts in rows 14–18 and the Item Format amounts in columns C–K. Row 19 shows the percent of the total revenue, pieces and weight for each of the Item Format amounts. It bears repeating that the UPU shape regime was not in place during FY17, and as countries continue to shift to the new regime, the Mixed Format will not completely disappear, but it will diminish significantly.

   c. NA.

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4.   Please refer to Library Reference USPS-FY17-NP35, January 26, 2018, Excel file "USPSTracking2017.xls," tab "SummaryByShape," cell O6.[2]

    a.   Please identify where this cost is included in the Inbound Market Dominant Multi-Service Agreements with Foreign Postal Operators 1 cost in Library Reference USPS-RM2018-8/NP1,[3] folder "ICRA," folder "ICRA Core Files," Excel file "Reports (Unified).xls," tab "Pivot3," cells AF20:AH20.

    b.   If this cost is not included, please provide revised workpapers that include this cost.

    c.   If this cost cannot be included in the workpapers, please discuss the feasibility of and obstacles to including this cost in the workpapers.

RESPONSE:

    a.   The cost is not explicitly included in the Inbound Market Dominant Multi-Service Agreements with Foreign Postal Operators 1 cost in USPS-RM2018-8/NP1, folder "ICRA," folder "ICRA Core Files," Excel file "Reports (Unified).xls," tab "Pivot3," cells AF20:AH20.

    b.   NA

    c.   The reason that the cost is not explicitly included is that the expanding use of barcodes includes all packets, tracked and non-tracked. Historically, delivery confirmation scanning was provided for Inbound ePackets, so there was a need to distinguish between packets that required scanning (now tracked) and those that did not (now untracked). The Universal Postal Union (UPU)

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[2] Docket No. ACR2017, Library Reference USPS-FY17-NP35, January 26, 2018; *see* Docket No. ACR2017, Responses of the United States Postal Service to Questions 1-10 of Chairman's Information Request No. 5, January 26, 2018, question 9.

[3] Library Reference USPS-RM2018-8/NP1, June 26, 2018.

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Convention Manual, 2018, highlights that scanning does not mean delivery confirmation:

Convention – Art. 17-107

6.3   No special conditions of closing shall be required for small packets; items designated as such may be opened for verification of their contents.
6.4   Designated operators shall apply a single barcode identifier conforming to UPU Technical Standard S10 to small packets containing goods to enable the provision of cross-border customs electronic pre-advice. However, the presence of such an identifier shall not imply the provision of a delivery confirmation service. The identifier should appear on the front of the item and should not obscure the other service markings, indicia or address information.

As such, scanning costs are incurred by both tracked and untracked packets without regard to the delivery confirmation cost.

In FY17 and prior years, when the ICRA reported letters & flats and packets together as Inbound Letter Post, and when only Inbound ePackets (tracked packets) were scanned, it was necessary to develop a separate Inbound ePackets proxy. The first step was to separate the letters and flats costs from the packets costs using ratios developed from Postal Service data systems. The second step was to adjust the scanning cost for the percentage of packets that were scanned, which was cell O6.

Now that all packets are intended to be scanned, the scanning costs will be implicitly included in the packets cost derived from the normal sampling process. Although not all packets were scanned in FY17, and FY17 is the

base for this proposal, additional adjustments were not made to the FY17

data because those adjustments would not apply when the proposal is

implemented.

5.   Please refer to Library Reference USPS-RM2018-8/NP1, folder "ICRA," folder "Supporting Files," folder "FPS Inbound Data," folder "Data as Received," Excel file "RPW-Carwash for ICRA-FY17(6'18).xlsx," tab "FY17 FPS Carwash (ADJ)." Please identify the column that distinguishes between Surface Inbound Letter Post and Air Inbound Letter Post.

RESPONSE:

The "Mail Category" code, column O, distinguishes between air and surface Letter Post. Code "A" denotes air, the remaining codes map to surface. The tab "Pivot for FPS Inbound Input" was developed to provide percentages to apply to the FY17 data, which were then pasted as values into the ICRA "server" file, "FPS_Inbound_Inputs.xlsb" on the sheet ALC_E. These percentages are used to ratio the FY17 data (sheets ALC PQ1 to PQ4, and SAO PQ1 to PQ4) to the air and surface categories. These sheets will not be necessary for ICRA FY18 because the sheets ALC_E PQ1 to PQ4 and ALC_PG PQ1 to PQ4 will be directly populated the same way that sheets ALC PQ1 to PQ4, and SAO PQ1 to PQ4 were populated for ICRA FY17. Mathematically, the share approach produces the same result as using the fully processed ICRA approach (i.e., no revenue, piece or weight data change, other than the split between air and surface), but there was a significant preparation savings by using the percentages from the "FY17 FPS Carwash (ADJ)" instead of completely reprocessing all of the raw data (which were unchanged, except for the air and surface split).

6.   Please refer to Library Reference USPS-RM2018-8/NP1, folder "ICRA," folder "ICRA Core Files," Excel file "Reports (Unified).xls," tab "CRA Staging," cells A75:T75. Please explain how these costs are calculated, taking into account the volume reported in cell AS77.

RESPONSE:

The costs in cells A75:T75 in USPS-RM2018-8/NP1, folder "ICRA," folder "ICRA Core Files," Excle file "Reports (Unified).xls," tab "CRA Staging" are directly from USPS-RM2018-8/NP1, folder "ICRA," folder "ICRA Core Files," Excel file "Inputs.xls," tab "CRA Cost Segments," cell U36, which is the sum of cells E36:T36.

Cells E36:T36 are the result of the execution of the Domestic Processing Model (DPM) provided in USPS-RM2018-8/NP1, folder "DPM17-ShapeCarwash," Excel file "FY17ICRA.ShapeCarwash.CRpt.xls," tab "CSSummary," cells C36:S36.

Execution of the DPM begins with the input provided in USPS-RM2018-8/NP1, folder "DPM17-ShapeCarwash," folder "Inputs," Excel file "FY17distkeys-carwash.xls," tab "Mail proc," cell F33. The amount appearing in cell F33 would under normal circumstances be the potential cost of Inbound Surface Packets from a particular country, and yet there are no Inbound Surface Packets from that particular country. The amount displayed is the result of a misidentified IOCS tally that could not be reclassified because there were inadequate data to reliably move it to another category, and thus is not meaningful.

7. Please refer to Library Reference USPS-RM2018-8/NP1, folder "ICRA," folder "Supporting Files," folder "FPS Inbound Data," Excel file "FPS_Inbound_Inputs.xlsb," tabs "ALC_E_PQ1," "ALC_E_PQ2," "ALC_E_PQ3," "ALC_E_PQ4," "SAO_E_PQ1," "SAO_E_PQ2," "SAO_E, PQ3," and "SAO_E_PQ4."

    a.   Please explain why certain cells in columns H through K of these tabs are highlighted in yellow and hardcoded when other cells are not highlighted and are formula-based. Please provide supporting workbooks detailing the calculation of the hardcoded values.

    b.   Please also explain why certain cells (*e.g.,* tab "ALC_E_PQ1," cells H158 and I158) have values over 100 percent.

RESPONSE:

    a. There are no supporting workbooks for these hardcoded values. The hardcoded values were needed in almost all instances where the formulas produced either #N/A or #DIV/0! due to missing or zeros in the data. Summing the revenue for PQ1 for these hardcoded percentages yields $214 of revenue, thus, the adjustments affect less than a thousandth of a percent of PQ1 revenue. The exception is the data from one particular country, which are hardcoded to collect the NSA data that would not be found by the "lookup" formulas because the small amount of revenue ($1.52) that shows up in the non-NSA data would be picked up by the lookup formulas. As the percentage allocations will not be required for ICRA18, hardcoding the exception for that one particular country is appropriate.

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b. Shares greater than 100 percent occur for only one small country, due to

the occurrence of negative data records.

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8. Please refer to Library Reference USPS-RM2018-8/NP1, folder "ICRA," folder "Supporting Files," folder "FPS Inbound Data," Excel file "FPS_Inbound_Inputs.xlsb," tabs "ALC_PG" and "SAO_PG."

   a. Please confirm that these tabs are intentionally blank.

   b. If confirmed, please explain the purpose of these tabs.

   c. If not confirmed, please refile Excel file "FPS_Inbound_Inputs.xlsb" with the appropriate data in these tabs.

RESPONSE:

   a. Sheets ALC_PG and SAO_PG have intentionally been left blank because the shares of mail would simply be 1 minus the shares reported on ALC_E and SAO_E sheets.

   b. For this proposal, the ICRA17 FPS data are split between shapes E and PG using percentages developed in the RPW-Carwash for ICRA-FY17(6'18).xlsx workbook and pasted into the ALC_E and SAO_E sheets of FPS_Inbound_Inputs.xlsb as values. These percentages are then used to share the mail from the quarterly ACR (sheets ALC PQ1 to PQ4, and sheets SAO PQ1 to PQ4 to shape E. Shape PG for ALC and SAO are the difference between the FY17 quarterly totals on the ALC PQ1 to PQ4 sheets and SAO PQ1 to PQ4 sheets and the respective ALC_E and SAO_E amounts. These sheets will not be necessary for ICRA FY18, as they will be populated during the processing, parallel to population of the sheets ALC PQ1 to PQ4 and SAO PQ1 to PQ4.

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For ICRA18, the blank sheets as well as the ALC_E and SAO_E sheets will be used to house the full set of raw FPS records for all four quarters of data, parallel to their non-shape analogues in the ICRA17. Sheets ALC and SAO will then be deleted during the full processing of the FPS shape-based FY18 data file.

Note: All of the sheets without quarterly suffixes (e.g., ACP, ALC, ALC_E, ALC_PG, etc…) are for ICRA quality control, checking, and documentation purposes. The Inputs.xls workbook only makes use of the sheets with quarterly suffixes and does not link to any of these records-displaying sheets.

Also note that the Tab "Pivot for FPS Inbound Input" in the FPS data file, was developed to provide percentages to apply to the FY17 data and which are pasted as values into the ICRA "server" file, "FPS Inbound Inputs" on the sheets ALC_E and SAO_E.

c. Please see the response above to part a. of this question.

9.   Please refer to Petition, Proposal Five. The Postal Service states that in Excel file "FPS_Inbound_Inputs.xlsb, sheets were added to separate packets from letters and flats ALC_E, ALC_E_PQ1, ALC_E_PQ2, ALC_E_PQ3, ALC_E_PQ4, SAO_E, SAO_E_PQ1, SAO_E_PQ2, SAO_E_PQ3, and SAO_E_PQ4. For ICRA 2018 the following sheets will be deleted ALC, ALC_PQ1, ALC_PQ2, ALC_PQ3, ALC_PQ4, SAO, SAO_PQ1, SAO_PQ2, SAO_PQ3, and SAO_PQ4." Petition, Proposal Five at 5. However, many of the cells in the added tabs refer to sheets that will be deleted. *See e.g.*, Library Reference USPS-RM2018-8/NP1, folder "ICRA," folder "Supporting Files," folder "FPS Inbound Data," Excel file "FPS_Inbound_Inputs.xlsb," tab "ALC_E_PQ1," cells C2:F186. Please explain how the Postal Service plans to alter these cells for the Fiscal Year 2018 International Cost and Revenue Analysis (ICRA) report and provide a proposed version of Excel file "FPS_Inbound_Inputs.xlsb" with all tab insertions, deletions, and linkages as they would appear in the FY 2018 ICRA Report.

RESPONSE:

The issues raised in this question relate closely to the issues discussed in

response to Question 8b of this Information Request. The sheets to be deleted

are the FPS Inbound data that are no longer linked to Inputs.xls. There are in-

workbook formulas referring to the sheets to be deleted, but they can be

removed without affecting ICRA results either once the data are directly

populated in the processing FY18 data, or once the in-workbook formulas are

converted to values. Provided under seal as part of USPS-RM2018-8/NP2 is an

Excel file (Prop.5.ChIR.1.Q.9FPS_Inbound_Inputs.xlsb) that parallels what will

be provided with ICRA18 with the in-workbook formulas removed by converting

to values. The transfer of records into the non-quarterly suffixed sheets (e.g.,

ALC_E, ALC_PG, SAO_E, SAO_PG) will be provided during ICRA18 processing,

but these sheets do not link to the Inputs.xls workbook and as mentioned in

Response 8 b. are only used for quality control and documentation purposes.

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Since the links to FPS _Inbound_Inputs.xlsb in Inputs.xls no longer refer to any of the sheets to be deleted, they are removed in Exhibit _a_ (Prop.5.ChIR.1. Q.9.FPS_Inbound_Inputs.xlsb). This is the version structure that will be used for the ICRA18 file. Relinking this workbook to Inputs.xls does not produce any changes.

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10. Please refer to Library Reference USPS-FY17-NP5, Word file "Part22017.doc."

   a. Please confirm that the Postal Service intends to update this document to reflect Proposal Five.

   b. If confirmed, please provide revised "Part22017.doc" that reflects the changes proposed in the instant docket.

   c. If not confirmed, please explain.

RESPONSE:

   a. Confirmed.

   b. Please see the document provided under seal as part of USPS-RM2018-8/NP2. In Chapter 1, Figure 1.4, additional lines stabs are inserted to reflect the Letters and Flats versus Packets separation. Similarly, Chapter 5 is updated on page 18 for the addition of Letters and Flats, and Packets. Chapter 8 is updated to add references to Dispatch Format and Item Format, and, in light of Question 1 above, to add updated descriptions of the SIRVI sampling plan and estimation process. Chapter 9 did not change, although when comparing it to cell L65 on the A Pages (md) Diff tab of Attachment 1, Attachment 1 shows a difference. That difference is an error resulting from subtraction from row 64 rather than row 65 as stated in the formula on the A Pages (md) Diff tab.

   c. NA.